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SUBJECT: AMBASSADOR PRESENTS CREDENTIALS; YUSHCHENKO
STRESSES RUSSIA THREAT

Classified By: Ambassador John F. Tefft for reasons 1.4 (b,d)

SUMMARY

1. (C) Ambassador presented his credentials to President Yushchenko December 7. In the monologue that followed, Yushchenko asserted that Ukraine is facing the most serious challenge to its sovereignty since the fall of the USSR. The pro-Russian policies of PM Tymoshenko and Regions party leader Yanukovych would put Ukraine's sovereignty at risk. Yushchenko termed "inadequate" the December 4 U.S.-Russia joint statement on security assurances. He called for higher level contact with the U.S. and welcomed the visit of FM Poroshenko to Washington December 9. Yushchenko blamed Tymoshenko for negotiating inferior energy contracts with Moscow and bringing the state-run gas company Naftohaz near bankruptcy. He said the EU would not stand up to Moscow, as the Georgia events had proven; hence the importance to Ukraine of close relations with the U.S. If Russia succeeds in holding sway over Ukraine, it will move in short order to dominate Georgia, Moldova and Belarus. End Summary.

RUSSIAN THREATS TO SECURITY

2. (C) After the credentialing ceremony, President Yushchenko, accompanied by Foreign Minister Poroshenko and Presidential Foreign Policy Advisor Honcharuk, told the Ambassador that Ukraine is facing the most serious challenge to its sovereignty since independence. Moscow would use all available levers to prevent Ukraine from further integrating with the West. The President emphasized that there was "no difference" between the pro-Russian policies of PM Tymoshenko and opposition leader Yanukovych; they are "like a pair of boots." Yanukovych is naive and Tymoshenko is cynical, but the result is the same -- deference to Russia. As for Russia, "it is all about geopolitics." Yushchenko said that giving into Russian pressure to allow the Black Sea Fleet to stay in Crimea past 2017 and abandoning Ukraine's NATO membership quest would put Ukraine's independence at risk.

3. (C) Yushchenko recounted that in 2003 (when Kuchma was president) the Kremlin had provoked tension by building a causeway to tiny Tuzla island in the Kerch strait. Kuchma tried to reach Putin but was unable to establish contact for ten days. Yushchenko observed that he has no contact at all with President Medvedev. He noted other Russian provocations, such as the declaration by the Russian Duma that Sevastopol is a Russian city, and Russia's unwillingness to come to agreement on border demarcation.

BUDAPEST MEMORANDUM NOT ENOUGH

4. (C) Yushchenko rejected as "inadequate" the December 4 U.S.-Russian joint statement reaffirming the security

assurances in the 1994 Budapest Memorandum. Ukraine needs more compensation for voluntarily giving up its Soviet-legacy nuclear stockpile -- notably binding bilateral security guarantees. Yushchenko asked the Ambassador to "please forward my alarm" at the security situation Ukraine faces. He belittled the U.S. attempt to reset relations with Moscow, observing that "every time there is a new U.S. Administration," it tries to improve relations with Russia; it takes only one or two years before they learn that "nothing changes there."

EU WEAK ON RUSSIA; UKRAINE NEEDS U.S.

15. (C) Yushchenko emphasized the importance to Ukraine of frequent, high-level contact with the U.S., especially at the Foreign Minister level. He cited Foreign Minister Poroshenko's December 9 visit to Washington as an important signal that the U.S. was still engaged with Kyiv. Yushchenko underlined the role the Strategic Partnership Commission could play in improving bilateral ties, but said that the level of representation should be raised higher to demonstrate U.S. support and help keep Ukraine on a westward course. He said that Ukraine's relationship with the U.S. was particularly important because the European Union was timid; when Moscow causes trouble, the EU "runs away." The EU made this clear by its inadequate response to the Georgia conflict of August 2008, when it came up with an "empty plan" and gave "carte blanche" to Russia. If democracy fails in Ukraine (via the election of Tymoshenko or Yanukovych as President), Russia will move quickly to assert itself further over Georgia, Moldova and Belarus.

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GIVE LUKASHENKO A CHANCE

16. (C) Ambassador observed that Lukashenko had not changed. Yushchenko countered that Lukashenko's situation had changed. His relations with Russia are increasingly bitter. Lukashenko is looking for alternatives. Right now he is cornered and "we need to give him a second chance." Lukashenko is under pressure to recognize South Ossetia and Abkhazia. Yushchenko appealed for U.S. outreach to Lukashenko to prevent this from happening.

TYMOSHENKO CUTS OUT WESTINGHOUSE

17. (C) Yushchenko criticized PM Tymoshenko's energy policies, speaking specifically to concerns in the nuclear and gas sector. On the nuclear side, the President stated that Tymoshenko had cut a deal with the Russian side to cancel U.S. involvement in Ukraine's nuclear sector. (Note: Westinghouse currently has a contract to provide nuclear fuel to the three units at the South Ukraine Nuclear Power Plant from 2011-2015. Westinghouse has also indicated its interest in constructing a nuclear fuel fabrication facility in Ukraine.) Yushchenko said, however, that the final battle was not yet lost and that he would do everything he could to keep Westinghouse in Ukraine. He stressed that U.S. support was vital both through the Department of Energy's Nuclear Fuel Qualification Program and the possible future production of nuclear fuel in Ukraine. Ukraine's goal, according to Yushchenko, is to replace Russian nuclear fuel with American nuclear fuel.

RUSSIAN PLAN TO BANKRUPT NAFTOHAZ

18. (C) Yushchenko also attacked the gas contracts Tymoshenko negotiated with Putin in January 2009. Under the contracts, Ukraine is forced to buy excessive amounts of gas and is

underpaid for its transit services. Yushchenko claimed that the transit rate through Ukraine is three to four times less than transit rates for European countries. Yushchenko charged that Russia planned to bankrupt Naftohaz in the next few months. As a result of the January contracts, he said, Naftohaz would end the year with a \$4 billion loss and would legally owe Gazprom \$8 billion in penalties (though Putin has indicated Gazprom would waive these). Yushchenko concluded that Ukraine could not cope without (unspecified) assistance from the United States.

TEFFT